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## A look at the pros and cons of community banks

### IT'S YOUR BUSINESS

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**Q: Several community banks have opened in the Princeton area recently. What are the advantages and disadvantages of working with a community bank versus a regional or national bank?**

The problem: Choosing the right bank.

Here a bank, there a bank, everywhere a bank-bank. A song, or a reality? These days it is a reality. With so many banks to choose from, it is important to understand their similarities and differences as well as their strengths and weaknesses.

The solution: Finding a bank that meets your needs.

For an individual, choosing the right bank could mean the difference between obtaining a mortgage and remaining in an apartment. For a business, choosing the right bank could mean the difference between obtaining a loan and going out of business. Finding a bank that meets your needs can be trickier than it sounds.

Let's look at the two broad categories of banks.

### Community banks

Community banks are often started by executives that defect from larger banks, community banks have been starting up throughout New Jersey. In traditional corporate fashion, many of the more successful community banks were acquired by the regional and national banks in the late 1990's. This has left a void, thus an opportunity for new banks to flourish.

One of the key advantages of community banks for customers is direct access to senior bankers and top management. With a community bank, employees on the front line have more discretion to make decisions than a larger bank that must follow stricter policies and procedures from corporate headquarters.

For example, with most large banks the decision to offer a mortgage to an individual is based primarily on the applicant's credit score. A community bank has the flexibility to review the application, review the credit score and meet with the borrower to gain an understanding of any unique circumstances that may influence a final decision to offer a mortgage.

Community banks can offer personalized services the larger banks have a difficult time matching. Whether it is a teller's smiling face or a bank officer delivering documents to your business, community banks go a long way towards providing a high level of personalized service. Community banks have done a good job of retaining their staff, allowing them to provide a consistent customer experience.

Weaknesses of community banks include their limited branch network, lending capabilities and range of financial services. Unlike some of the larger banks, many of the community banks have a small number of branches. Fortunately, most offer Automated Teller Machine cards that can be utilized around the world, as well as internet access 24 hours a day, seven days a week.

A growing business may realize the local community bank simply cannot offer the \$30 million loan needed for it to expand its operations, due to bank lending restrictions. Consumers looking for investment services and insurance services will often-times be turned away at the community bank. A number of community banks have recently begun offering these services through partnerships with companies that specialize in these services.

### Regional and national banks

Some consumers like the idea that they can go into the same bank, no matter what city (or state for that matter) they are in — just like a fast food chain. Having the ability to make a deposit at a branch near your office or a withdrawal near your home is a luxury some consumers just cannot resist. Many of the larger banks have hundreds of branches in a wide spectrum of locations, from supermarkets to office buildings to stand-alone locations.

Businesses that deal in cash, like restaurants and gasoline stations, may require a regional or national bank with branches close to each of their locations. Some businesses must deposit cash in their bank account two times a day to reduce the risk of theft. Larger businesses seeking capital to grow may need the lending solutions offered by regional or national banks. The regional and national banks have tremendous lending capacity locally, nationally and globally.

Most regional and national banks offer a wide variety of financial services, from investments to insurance to trusts. These services may be offered by employees of the bank or through outside partners.

### Conclusions

Selecting the right bank should be based on your individual needs. Customers looking for a large branch network or large loan capability may be best suited for a regional or national bank. Customers looking for personalized service, direct access to top management and more flexible loan criteria may be best suited for a community bank. Sometimes, it just comes down to supporting a local business in your community.

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